MEMORANDUM

TO: Human Resources and Payroll Representatives

FROM: Joshua Hitchens, Director of Defined Contribution Plans

DATE: February 15, 2010

RE: Deferral of Sick and Annual Leave to the Deferred Compensation Plan

This memo is to help clarify the process for employees wishing to defer their accumulated sick and/or vacation pay to the State's Deferred Compensation Plan upon separation or retirement from State service.

The IRS has issued regulations, which we are able to rely on, regarding the deferral of accumulated sick and vacation pay. The regulation states that the employee must enroll in the Deferred Compensation Plan before retirement or separation, if not already participating, and make the deferral election in the month before the accumulated sick and vacation pay would be paid.

For example, if an employee is retiring or separating from State service on July 1, 2010 and if they are not currently participating in the Plan, they must enroll before July 1, 2010. If they are receiving their sick and vacation payout on July 16, 2010, they must make their deferral election no later than June 30, 2010.

Attached is the Sick/Vacation Deferral Form which your employees would need to complete and return to the Treasurer's Office by the appropriate date if they are interested in deferring their sick and vacation payouts upon their separation from State service. Please see the grid below for the dates that Sick/Vacation Deferral Forms need to be received by the Treasurer's Office for each pay period.

Please let me know if you have any questions.

Deferred Compensation Deadlines for Deferral of Sick/Annual Leave Payout at Retirement		
Retired During Pay Period	**Date of Last Paycheck**	**Date Sick/Annual Leave Form Needs to be in the Treasurers' Office on or before**
2/28/10--3/13/10	3/26/2010	2/28/2010
3/14/10--3/27/10	4/9/2010	3/31/2010
3/28/10--4/10/10	4/23/2010	3/31/2010
4/11/10--4/24/10	5/7/2010	4/28/2010*
4/25/10--5/08/10	5/21/2010	4/30/2010
5/09/10--5/22/10	6/4/2010	5/26/2010*
5/23/10--6/05/10	6/18/2010	5/31/2010
6/06/10--6/19/10	7/2/2010	6/24/2010*
6/20/10--7/03/10	7/16/2010	6/30/2010
7/04/10--7/17/10	7/30/2010	6/30/2010
* Date is earlier than last day of month due to PHRST data entry deadlines		